

# SEMINOLE COUNTY GOVERNMENT AGENDA MEMORANDUM

**SUBJECT:** UCF – Seminole County Business Accelerator Partnership

**DEPARTMENT:** Economic Development **DIVISION:** Economic Development

**AUTHORIZED BY:** Don Fisher **CONTACT:** William J. McDermott **EXT.** 7132

**Agenda Date** 04/11/06 **Regular** ☒ **Consent** ☐ **Work Session** ☐ **Briefing** ☐  
**Public Hearing – 1:30** ☐ **Public Hearing – 7:00** ☐

**MOTION/RECOMMENDATION:**

Approve and authorize staff to prepare an agreement between the University of Central Florida and Seminole County to establish a "Business Accelerator" and identify funding to share in the initial operating costs for a three year period. (\$300,000 / year)

**BACKGROUND:**

The University of Central Florida (UCF) opened the Technology Incubator for business in December, 1999, with 6 clients. After six years of operation, the UCFTI has served 80 companies, including 45 current clients and 14 graduates. Collectively, UCFTI clients and graduates have created over 650 jobs with an average salary of \$59k. They have received over \$120M of investment capital and generate over \$175M in revenue each year. Because of its successful client support and strong community partnerships, the UCFTI was named "2004 Incubator of the Year" by the National Business Incubation Association.

Partnering with Seminole County and other appropriate organizations, UCF will expand its current program to include the business accelerator in Seminole County. The accelerator will be used as a second stage incubator, complementing and leveraging the current facility located in the Central Florida Research Park.

It is envisioned that Seminole County facility will accommodate current incubator clients as they expand and serve companies that are larger in scope. The individual suites will be larger in size than the UCF Technology Incubator. This will allow growing companies to expand while still in the incubator program as well as provide larger space for companies that enter the program at a later stage than most incubator clients. UCF will leverage the resources and infrastructure in place at the UCFTI to aide in the development of companies located in the accelerator.

It is important to note that the national track record for incubation or accelerator programs is excellent. Over 87 percent of companies that graduate from these programs remain viable businesses five years after graduation. Additionally, more than 85 percent of companies that

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Other:	
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graduate from an incubator locate within five miles of the incubator resulting in significant and tangible return on investment for the local community.

The project is consistent with stated economic development priorities of Seminole County;

- The job creation is consistent with the development of high value added job opportunities within the county as stated in the JGI Ordinance, Section 1, (b).

Attachments: Draft White Paper 04/05/06

# **DRAFT WHITE PAPER 4-5-06**

## **“The UCF - Seminole County Business Accelerator”**

### **Introduction**

We propose to establish a partnership between UCF and Seminole County to expand The UCF Technology Incubator program by establishing a second stage incubator or “Business Accelerator” in Seminole County. The main thrust of this program is to complement and build upon the award winning model incubator program at UCF.

The goal of this program would be to establish a program and facility that would serve slightly more mature or second stage incubator companies that either started in the UCF Technology Incubator or entered the program at a more advanced stage than is typical. The use of the term “Business Incubator” and “Business Accelerator” are often synonymous with each other but the goal of this program will be to have the UCF Technology Incubator serve as the entry level business development program and the Accelerator will provide services at the next stage of development in the life cycle of the business venture.

The total estimated cost of this program is \$635,000, split approximately equal between Seminole County (\$300K) and UCF (\$335K).

### **What Is a Business Accelerator / Incubator?**

A business accelerator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services developed or orchestrated by incubator management and offered both in the incubator and through a network of contacts. These companies have the potential to create jobs and increase wealth, revitalize neighborhoods, commercialize new technologies and strengthen local and national economies. Accelerators are often called incubators but usually focus on slightly more mature companies in an overall business development strategy.

Accelerators provide management guidance, technical assistance and consulting tailored to young, growing companies. They provide access to space, shared equipment, technology support and assistance in obtaining financing necessary for company growth. Clusters of firms in an accelerator derive strength from working with one another, thus encouraging innovation. The goal is to produce successful firms that will graduate from the program as financially viable and freestanding companies.

Critical to the definition of an incubator or accelerator is on-site management, which develops and orchestrates business, marketing and management resources tailored to a company’s needs. Client companies usually have access to appropriate rental space and flexible leases, shared basic

office services and equipment, technology support services, and assistance in obtaining the financing necessary for company growth.

Nationally, the track record for incubation or accelerator programs is excellent. Over 87 percent of companies that graduate from these programs remain viable, successful businesses five years after graduation. More than 85 percent of companies that graduate from an incubator locate within five miles of the incubator resulting in a significant and tangible return on investment for the local community.

### **Industry Best Practices in Incubation / Acceleration**

Model business development programs are distinguished by a commitment to incorporate industry best practices defined by the National Business Incubation Association. Successful programs strive to:

- Commit to two core principles that characterize effective business incubation.
  - 1) The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.
  - 2) The incubator or accelerator itself is a dynamic model of a sustainable, efficient business operation.
- Obtain consensus among partners, economic development organizations and supporters on a mission that meets market needs (i.e. technology vs. mixed use vs. other) and defines its role in the community.
- Develop a strategic plan containing quantifiable objectives to achieve the program mission.
- Seek to integrate the program and activities into the fabric of the community and its broader economic development goals and strategies as a way to strengthen the role of small to medium sized enterprises and reduce dependence on corporate recruitment.
- Structure for financial sustainability by developing and implementing a realistic business plan.
- Recruit and appropriately compensate management capable of achieving the mission of the program and having the ability to help companies grow.
- Build an effective board of directors committed to the program's mission and to maximizing management's role in developing successful companies.
- Develop effective screening of applicants, and consistently push companies to pursue activities necessary to continue strong growth and graduate within a prescribed time.
- Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation.

- Develop a facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company.
- Develop stakeholder support, including a resource network that helps the program's client companies and supports the program's mission and operations.
- Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program's effectiveness and allowing it to evolve with the needs of the clients.

### **UCF role in partnership**

The University of Central Florida (UCF) opened the UCF Technology Incubator for business in December, 1999, with 6 clients. After six years of operation, the UCFTI has served 80 companies including 45 current clients and 14 graduates. Collectively, UCFTI clients and graduates have created over 650 jobs with an average salary of \$59k. They have received over \$120M of investment capital and generate over \$175M of revenue each year. Because of its successful client support and strong community partnerships, the UCFTI was named "2004 Incubator of the Year" by the National Business Incubation Association. The success of the Incubator is due in large part to the vital support of community partners.

Partnering with Seminole County and other appropriate organizations, UCF will expand its current program to include the business accelerator in Seminole County. This accelerator will be used as a second stage incubator, complementing and leveraging the current facility located in the Central Florida Research Park.

It is envisioned that the Seminole County facility will accommodate current incubator clients as they expand and serve companies that are larger in scope. The individual suites will be larger in size than the UCF Technology Incubator. This will allow growing companies to expand while still in the incubator program as well as provide larger space for companies that enter the program at a later stage than most incubator clients.

UCF will leverage the resources and infrastructure in place at UCF, specifically at the UCF Technology Incubator to aide in the development of companies located in the accelerator. This includes:

- Use the existing client application and screening process and oversee selection process  
This includes using the Excellence in Entrepreneurship Course developed from the UCFTI
- Utilize UCF service provider network and expand to include additional resources focused on later stage incubator companies.

UCF currently utilizes a solid network of partner organizations that provide services and advice to UCFTI clients. Many of the professional service provider partners provide initial advice and guidance on a pro bono basis. Some of them offer reduced fees for initial incubator client services. All of them have been vetted as to ensure the quality of their services and understanding of small business needs.

- Utilize educational programs available through the NEC and resident small business service providers  
The Disney/SBA National Entrepreneur Center (NEC) represents a community of small business and entrepreneurial service providers that already offer a broad array of educational programs, counseling services, and funding programs. Clients of “The Accelerator” will be linked to the various service providers and programs at the NEC for appropriate assistance.
- Provide marketing for Accelerator and its clients  
Developing and carry out a marketing plan for the Accelerator. Working with Seminole County, UCF will promote “The Accelerator” along with members of the Advisory Board. In addition, existing UCF marketing channels will be utilized to promote the program.
- Use existing criteria to graduate companies out of program

In addition, UCF will:

- Oversee the selection of location and design for Accelerator  
UCF management will work with Seminole County to secure an appropriate location and functional design for the incubator.
- Provide staffing for Accelerator  
Hiring of appropriate management and administrative staff is a key element of the success of the Incubation program. UCF management will develop the job descriptions; organize the selection committee; and hire the incubator staff.

In summary, UCF will expand its current award winning incubator program by establishing and operating a second stage incubator, or accelerator in partnership with Seminole County. This includes hiring, training, and managing staff, selecting and managing clients, establishing mentoring and coaching programs, and establishing criteria for graduating companies into the community.

### **Program Costs**

The UCF Technology Incubator is a true community partnership with investment being provided by numerous sources. The total cost for the incubator and accelerator program is just over

\$2.1M per year with the accelerator making up approximately \$635K. The majority of the funding for the effort comes from the University of Central and fees charged to clients. The largest expense for the incubator program is rent for the facilities. With current facilities and the new accelerator, the incubator occupies approximately 75,000 sq ft. This amounts to \$1.3M with the rest of the expenses devoted to staff, and operational related expenses.

### **Budget Estimate**

<b>Income</b>	<b>Accelerator</b>	<b>UCFTI</b>	<b>Total</b>
Seminole County	\$ 300,000		\$ 300,000
UCF	\$ 125,000	\$ 800,000	\$ 925,000
FHTCC	\$ 30,000	\$ 30,000	\$ 40,000
User fees and rent re	\$ 200,000	\$ 500,000	\$ 700,000
Other government support		\$ 200,000	\$ 200,000
 Total anticipated Income	 \$ 655,000	 \$ 1,530,000	 \$ 2,165,000
 <b>Expenses</b>			
Cost of facility			
Rent @25/sq ft	\$ 320,000	\$ 950,000	\$ 1,250,000
Other utilities	\$ 25,000	\$ 50,000	\$ 75,000
Regular build-out and modification costs	\$ 25,000	\$ 50,000	\$ 75,000
 Staff			
Dedicated on-site staff w/ benefits	\$ 75,000	\$ 100,000	\$ 175,000
Prorated share of additional incubator staff	\$ 140,000	\$ 280,000	\$ 420,000
 Other Program costs (workshops, curriculum, etc)	\$ 70,000	\$ 100,000	\$ 170,000
 Total Costs	 \$ 655,000	 \$ 1,530,000	 \$ 2,165,000

## **Examples of how UCF and its commercialization and incubation programs are impacting Seminole County:**

1) Applicote (current client) founded by Dr. Nat Quick is housed in the STBIC and Dr. Quick lives in Seminole Co. The company is experiencing solid growth and is substantially involved in joint research and development with UCF.

2) ScienceSouth (current client) founded by David Byron partnered with Supreme Cheesecakes in Lake Mary to develop a new artificial sweetener (Zugar) that is being used in the company's new line of carb-free and gluten-free cheesecakes. In fact, a High Tech Corridor matching grant was used by ScienceSouth to partner with USF for some of the development work. This new product being used by Supreme Cheesecakes has enabled them to expand their business and increase their sales to Disney, Universal, and many of the major hotels and cruise lines. They also are now able to sell via the web and ship the cheesecakes which use the sweetener since this sweetener (unlike many others) can be frozen and will maintain its integrity.

3) Welnia (current client) has already completed beta tests and will soon be going to market with their innovative health and wellness device and program. Welnia is a spin-out of Central States headquartered in Heathrow. Part of Welnia's "go to market" strategy includes a partnership with Florida Hospital which we helped them form as well as a joint project with UCF.

4) Datanautix (current client) is a new company founded by Sanjay Patel. Sanjay was formerly CEO of one of our graduate companies - iBack Office - which graduated when they were acquired by a multinational company based in India. Sanjay is a Seminole County resident.

5) And of course we have already discussed Rini's capital investment in purchasing a 12K sq ft building in Oviedo and the impact on PremiereTrade when they acquired Software Design Corporation in 2004 which was one of our client companies.

6) Crystal Photonics. Major manufacturer of optical crystals for medical and other applications. CPI's established a large manufacturing site in Sanford. CPI is a spin out company from UCF's Center for Research and Commercialization in Optics and Lasers (CREOL).

7. LaserPath Technologies, LLC. A Medical Laser and defense company based on Laser Technology from UCF's Center for Research and Commercialization in Optics and Lasers and led by Rob Hopkins and UCF grad.